

**Hong Kong Retail Management Association  
Submission on 2022 Policy Address Consultation**

**Executive Summary**

**4 August 2022**

**I. Introduction**

1. The retail industry is facing unprecedented challenges under the negative impact of the COVID-19 pandemic for almost three years. Given the heightened uncertainties in the coming months, the Association would like to present our recommendations to Mr. John Lee, the Chief Executive, for his 2022 Policy Address.

**II. Latest Retail Market Situation and Dismal Outlook**

2. Due to the fifth wave of the local pandemic rapidly worsened during the first quarter of 2022, the total retail sales value (“RSV”) recorded a sharp plunge of 7.6% for the period.
3. With the relaunch of the Electronic Consumption Voucher (“ECV”) Scheme, the Association expects the total RSV for the entire year of 2022 may either remain flat or register a slightly positive or negative growth compared with last year.
4. The RSV performance for 2022 will mark a continued decline of around 30% for the fourth consecutive years, when compared with a normal year in 2018.

**III. Recommendations: Near-term Measures**

**A. Adopting Pragmatic COVID-19 Policies to Ensure Speedy Border Reopening**

5. The Government should adopt a pragmatic COVID-19 policy to facilitate the reopening of borders earliest. Priority should be given to the resumption of quarantine-free travel with the Mainland, and then the rest of the world.

**B. Addressing the Immediate Manpower Shortage**

6. The Government should implement immediate policy to address the prevailing acute manpower shortage in HK. This may include (a) relaxing work restrictions for Mainland and overseas students in HK; (b) incentivizing employers to offer flexi-hour jobs to lure female and silver-haired groups; and (c) easing the stringent quarantine measures imposed on foreign talents.

### **C. Containing the Skyrocketing Rise in Business Operating Cost**

7. The Government should earmark retail as a priority industry to offer focused subsidies to SMEs so as to alleviate their operating costs, including water and sewage charges, rates, energy expenses, and MPF contribution.
8. The Government should conduct a holistic and prudent evaluation on the total compliance cost arising from the ever-growing legislations and its implications to retailers, including those labour-related regulations and various Producer Responsibility Schemes (PRS).
9. In particular, the Government should shoulder the long-term financial outlays arising from the abolishment of the MPF Offsetting Mechanism.

### **D. Sustaining Domestic Consumption Sentiment**

10. As the local consumption sentiment will remain dampened in the foreseeable future, the Government should continue to implement rounds of the ECV Scheme until the retail business environment resumes back to normal.

### **E. Restraining a Rapid Increase in Retail Rental once Borders are Reopened**

11. The retail sales situation would not resume to the pre-pandemic level even the borders are reopened. The Government should take due measures to ensure the landlords not to increase rents at an unreasonable rate once the borders are reopened.

### **F. Relaunching Hong Kong as an International Premier City**

12. The Government should rebuild HK's image as a world-class premier city by launching high-profile international events. In particular, the Hong Kong Tourism Board (HKTB) should promote HK as a "Smart Shopping Paradise", highlighting its retail strengths and customer-centric technology advancements.

### **G. Designating a Specific Government Bureau to Oversee the Development of Hong Kong's Retail Industry**

13. The Government should designate a specific bureau to oversee the retail industry. Given that the industry employs about 250,000 people (10% of the total workforce), and creates about 1 million jobs altogether when including various peripheral sectors.

## **IV. Recommendations: Mid-to-longer-term Measures**

### **A. Accelerating New Retail Development**

#### **Capitalizing on the Rapid Growth of O2O Retailing in Hong Kong**

14. Given the exponential growth of online sales, the Government should provide strong support to the brick-and-mortar retailers to capitalize on the unbeatable trend of O2O integration.

### Enhancing Technology Adoption & Digitalization

15. The Government should incentivize SME retailers to adopt latest technologies and drive digitalization by offering tax incentives and extra funding resources.
16. The Government should strengthen efforts of the Hong Kong Productivity Council to showcase the retail industry's application of the latest technologies, 5G, digitalization, AI robotics, big data, and alike, to the wider business community.
17. Riding on the successful launch of the ECV Scheme, the Government should urge the e-payment operators to offer more merchant incentives to accelerate retail technology adoption.

### Facilitating the Development of Smart Logistic Facilities and Solutions

18. The Government should allocate land under the Northern Metropolis Development Strategy and Lantau Tomorrow Vision to spearhead innovative logistic facilities, and to expedite the setting up warehousing zones in the nearby Greater Bay Area with co-location boundary crossing facilities.

## **B. Facilitating Hong Kong Retailers to make Inroads into the Mainland's Huge Domestic Market including the Greater Bay Area (GBA)**

### Advancing Retailers' Business Expansion in the Mainland Market

19. The Government should facilitate HK retailers to grasp the vast opportunities of the Mainland market, in particular in the GBA, the Free Trade Zones including Nansha and Hainan, and the new international consumption center cities in the Mainland.
20. The Government should form a high-level industry task force with representatives from leading retail associations to formulate support policies and strategies and to fight for fast-track treatment and favourable incentives for HK retailers.

### Developing the GBA Market as Top Priority

21. The Government should provide first mover advantages to HK retailers entering into the GBA market, such as providing subsidies and tax concessions, easing of registration process, funding schemes, relaxing in product categories of imported goods, and facilitating logistic efficiency.

### Promoting Hong Kong Branding in the Mainland

22. The Government should reinstate HK's vibrant image as a shopping hub in the Mainland. The HKTb and the HKTDC should support HK merchants to develop quality and experiential driven shopping experience to reconnect with the Mainland customers.

### Facilitating Online Business to Lure Mainland Customers Under "Individual Visit Scheme" (IVS)

23. The Government should assist SME retailers to expand their presence on virtual business platforms and to organize large-scale online cross-border shopping festival(s), so as to capture the huge business opportunities arising from the potential customers under the IVS.

24. The Government should ease the bottlenecks of cross-border business by relaxing the strict requirements and long lead time in goods inspection.

### **C. Sustaining Manpower Supply to Support Economic Growth**

#### Formulating a Visionary Roadmap on Population Policy and Manpower Supply

25. The Government should devise a visionary roadmap on population policy and manpower supply, covering directions like (a) labour importation; (b) recruitment of Mainland and overseas talents; (c) family-friendly social facilities to retain local talents; and (d) incentives for employers to diversify labour sources and work modes.
26. The Government should relax the work restrictions imposed on the overseas and the Mainland students and should facilitate employers to leverage this potential source of manpower to work while studying in Hong Kong.

#### Developing Digital Talents to Enhance Industry Growth

27. To address HK's acute shortage in digital talents, which has been hindering our new retail development, the Government should have a holistic plan to project and nurture a new batch of digital and technology literate talents for the next 5 years.

### **D. Stepping Up the Integration of Retail Education into HK's Mainstream Education System**

#### Promoting Retail in the Mainstream Education System with A Well-defined Roadmap

28. The Government should work with the industry to devise a medium-to-long term roadmap to introduce retail as a formal subject in the secondary to tertiary levels.

#### Mainstream Education System – Secondary and Tertiary Level

29. The Government should reinstate retail as a subject in the Applied Learning (ApL) Course for the secondary school students and should allocate more resources to the Business-School Partnership Programme to promote ApL.
30. The Government should render continued support to the specialized concentration on "Strategic Retail Management and Innovation" newly introduced by the Hong Kong Baptist University (HKBU) in its BBA programme in September 2022. It is hoped that this UGC-funded course can be extended to Associate Degree and Higher Diploma graduates.

#### Supporting Degree-Level Vocational and Professional Education and Training (VPET) in Mainstream Universities

31. The Government should include VPET in the mainstream universities with retail as one of the disciplines. It should also subsidize VPET degree programmes and strengthen its connection with Qualifications Framework (QF) by enabling credit accumulation and transfer of QF-linked qualifications to VPET programmes.

### Providing Funding Support to Promote New Image of the Retail Industry

32. The Government should render budget support to enhance retail industry's image as a technology-savvy profession, and to equip practitioners with new technologies and skill sets.

### **E. Building Hong Kong as a Retail Management Education Hub in the GBA**

33. The Government should facilitate cooperation between tertiary education providers and the retail industry to promote Hong Kong's world-class retail management expertise in the GBA.
34. Hong Kong's renowned universities should be encouraged to set up campus in the GBA with retail management as a specialized discipline, while facilitating students of Hong Kong and the GBA to enjoy reciprocal industry visits and in-service workplace attachments.
35. The Government should drive the promotion of QF in the GBA and introduce our renowned customer service recognition schemes and award programmes to the GBA counterparts.

### **F. Formulating Policy to Rectify Hong Kong's Distorted Retail Rental Market**

36. Given the successful passage of the "Rental Enforcement Moratorium" legislation, the Government should proactively look for practical ways to regulate the retail rental market and related fees.

### **V. Conclusion**

37. The Association is committed to work with the Government on the recommendations set out in this paper, which we believe will help drive a prosperous and sustainable recovery for the retail industry.

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